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ABSTRACT

A college or university governing board's development committee (or foundation board in a public institution) has both oversight of and broad responsibility for institutional fund-raising activities. Committee members have an additional role that colleagues on other committees do not--active participation in fund-raising. The committee sets goals, establishes policies, ensures proper attention to institutional priorities, delegates to professional staff the responsibility for preparing strategies to meet them, and then participates with staff to fulfill them. To do so, the institution must have a well-stated mission and well-articulated goals. A separate campaign committee may be formed to oversee the capital campaign and engage all trustees in fund-raising. The committee's structure should mirror that of other board committees. Members should strongly support the institution, and to preserve continuity and experience turnover should be minimal. The agenda should address the committee's objectives, progress in annual and planned giving, potential donor support for major projects, prospect identification and research, corporate and foundation relations, major gift cultivation and solicitation, campaign planning and implementation, and special events. (MSE)

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BOARD BASICS

EFFECTIVE COMMITTEES

THE DEVELOPMENT COMMITTEE

BY GARY EVANS

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The Development Committee

The development committee of a college or university has both oversight of and broad responsibility for the fund-raising activities of the institution. In this regard—oversight and responsibility—the development committee is like other committees of the board. However, members of the development committee have an additional role their colleagues on other committees do not: They must actively participate in the area for which their committee is responsible. That is, they must become involved in the fund-raising process when called upon to do so.

Members of the development committee are engaged at both ends of the fund-raising continuum. At the front end they set goals, establish policies, and ensure proper attention to institutional priorities. They then delegate to professional staff the responsibility for preparing the strategies and tactics required to meet those goals and priorities. Committee members—along with other board members—return at the end of the process as participants in fulfilling those strategies and tactics designed by professional staff.

At public institutions, oversight and responsibility for fund-raising often rest with a foundation board or with a development committee of such a board. Among its responsibilities, a foundation board—or its development committee—engages in fund-raising in much the same way as the development committee of an independent institution's governing board.

Committee Charge

It might seem sufficient to charge the development committee (or the foundation board of a public institution) with raising as much money as possible for any purpose that supports the goals of the institution. After all, if money raised for one project allows resources to be used for another project, the institution advances. As logical as this may sound, the development committee or foundation board has a more focused charge. Maximizing gift income is important, but the committee should remain ever mindful that its purpose is to raise funds to ensure the financial health of the institution and, while doing so, to satisfy the goals the institution has identified as necessary to fulfill its mission.

Because the committee's charge includes two goals—raising funds and adhering to programmatic objectives—it is essential to the work of the committee that the institution have a clearly stated mission and well-articulated goals. Simply put, the institution must have a long-range plan that states what the institution wants to achieve and what objectives it must meet to do so. Raising gift dollars in the absence of a plan that fails to identify the institution's goals that require external financial support is "fund-raising." But "development" consists of raising money to meet an institution's objectives, which are intended to accomplish the institution's long-range plan and fulfill its mission.

In the absence of a plan, the development office doubtless will proceed to raise money on its own. Problems may occur, however, when the fund-raising process is driven more by donor priorities than by the strategic objectives of the institution. The development committee should not be content simply to monitor the fund-raising progress of the development office. It also must be sure that gifts meet the institution's specific needs and advance its mission.

The committee also must ensure that the development or advancement office has appropriate and adequate staff and budget. This charge is no different from the charge of other board committees in their respective areas of responsibility. But the development committee must be especially sensitive to the fact that fund-raising flows from donors' beliefs in the institution and confidence in its direction and leadership. Donors relate to an institution through the people they meet and know—very often the development office staff. If these staff are too few in number, or if they

SIMPLY PUT, THE INSTITUTION MUST HAVE A LONG-RANGE PLAN THAT STATES WHAT THE INSTITUTION WANTS TO ACHIEVE AND WHAT OBJECTIVES IT MUST MEET TO DO SO.

suffer from high turnover or low budgets that hinder them from working with donors in personal and rewarding ways, they will be unable to develop the relationships that foster donor largess. The development committee of the board would fail to fulfill its charge if it allowed this to happen.

The charge of the development committee or foundation board is most sharply focused when the institution undertakes a capital campaign (some institutions now call this a "comprehensive" campaign). While it is not the responsibility of the development committee to write an institution's strategic plan, it is the committee's responsibility to devise an appropriate needs list from the plan. The committee then must see to it that the broadly defined needs—improved science facilities, scholarship endowment, faculty support—are then translated into specific objectives with specific dollar goals.

An institution often will form a separate campaign committee, distinct from the development committee, to oversee the capital campaign. This is done to engage all trustees in fund-raising, not just those who serve on the development committee. If a separate campaign committee is formed, the chair of the development committee should be a member. Either the campaign committee or the development committee must make certain that appropriate steps are taken to plan and implement the campaign. These steps include development of a campaign plan, a feasibility study, prospect identification and solicitation, volunteer engagement, timetable, publicity, and so forth.

Committee Structure

The structure of the development committee should mirror that of other board committees. It should have a chair, vice chair, several trustees, and representatives of other constituencies (alumni, parents, or friends) if that is institutional practice. The committee chair and vice chair should be trustees who are generous donors, both in terms of the amount of their gifts and in terms of the generosity of their gifts in relation to their personal resources.

The chair of the board (who in conjunction with the president is most likely to appoint trustees to the development committee) should avoid the temptation to fill the committee with trustees who have important contacts and connections but who do not themselves make significant gifts. While the leverage made possible through personal contact is important, it rarely replaces passion. Trustees who passionately support the institution are more likely to give their own resources and personally ask others to do the same. To be successful, committee members must embrace the development goals and, while looking to others for support, must recognize that the responsibility for success rests with the committee.

Just as staff turnover is counterproductive to developing relationships with donors, so too is turnover of committee membership. Although it is valuable to rotate some members each year to provide interested trustees an opportunity to serve, turnover should be minimal to preserve continuity and experience. Committee members must be familiar with the trends in giving at the institution and with the existing fund-raising programs. It may take time for some members to understand what prompts certain individuals to perform acts of generosity. Only with the knowledge that comes from continuity can committee members effectively offer direction, help, and guidance to the development effort.

Committee Responsibilities

The broad responsibility of the development committee can be divided into a series of specific responsibilities that, when properly addressed, enable the committee to fulfill its charge.

1. Create within the board an awareness of the importance of private giving. Most trustees are better informed about some institutional programs and activities than about others. Those who do not serve on the development committee may be unaware, for example, of the percentage of the institution's operating budget that depends on annual giving. Board members who may be knowledgeable about corporate management may be unaware that a poorly planned estate can be costly to a family, while a well-planned estate can benefit the family *and* the institution. Through various reports, development committee members can inform the board how gifts are used and educate their colleagues on the most appropriate methods of gift giving.

The development committee also should have a role in new-trustee orientation. The trustees on the development committee are in the best position to inform their new colleagues that responsible trustees make the institution a major philanthropic interest.

2. Set goals for trustee giving and actively engage in trustee solicitation. The development committee should set ambitious goals for trustee solicitation. When it comes to giving, trustees should lead not only by directive but by example. Appropriate members of the development committee personally should solicit each board member for an annual gift and for special endowment needs or building projects.

The development committee must not shrink from setting a specific goal for trustee giving or avoid personally soliciting other board members. Committee members should not assume their colleagues "know what is needed and will do what is right." Nor is it sufficient for trustees simply to "do the best we can." Most people, even trustees and foundation board members, need some guidance about what is "right," and they need to be asked to do it. Although the president, the development staff, and volunteers may solicit other alumni and friends of the institution, the committed trustees on the development committee are best able to challenge their peers.

3. Set fund-raising goals and assess progress. The development committee must ensure its goals are ambitious and challenging, yet realistic and congruent with the needs of the institution. Do the goals for annual giving correlate with the gift income required in the operating budget? Are the goals for endowment, facilities, and special projects related to the long-term objectives of the institution? At each of its meetings, the development committee should receive progress reports from the development office and discuss whether the strategies being employed are sufficient to meet the goals.

IN ADDITION TO SETTING DOLLAR TARGETS, THE DEVELOPMENT COMMITTEE ALSO CAN SET AND TRACK PROGRESS TOWARD A VARIETY OF OTHER GOALS THAT AFFECT THE BOTTOM LINE.

In addition to setting dollar targets, the development committee also can set and track progress toward a variety of other goals that affect the bottom line. Such quantifiable goals include the number and percentage of alumni donors, the number of identified major-gift prospects, the number and type (cultivation, solicitation, stewardship) of prospect visits by development staff, and the number of fund-raising volunteers.

4. Participate in the development process. Members of the development committee or the foundation board must be more than advisers; they must be participants. Committee members should consider whether their personal and professional contacts could be donors to the institution. The names of corporations, foundations, alumni, and friends who may have the capacity for support should be referred to the development office.

In addition, members of the committee should be prepared to participate in such cultivation activities as hosting small groups of potential donors, visiting with prospects to discuss the institution, introducing potential donors to the president or chancellor, and other forms of personal contact.

Committee members also should be willing solicitors. There is no more powerful solicitation than a dedicated volunteer saying, "I believe in [this institution]; therefore, I have given a gift of $___, and I ask you to join me by considering a gift of $___." Trustees and foundation board members who believe in the institution and personally have supported it generously are the most powerful solicitors an institution can have, and the good they accomplish is multiplied many times over.

5. *Examine trends and analyze implications for the future.* Periodically, the development committee or the foundation board should look at giving trends over a three-year to five-year period. Have the number of donors and dollars increased, decreased, or remained flat? Have dollars increased while donors have decreased? What is the trend in membership in the higher level giving clubs? What is the cost per dollar raised over a period of time?

In consultation with the development staff, the committee should explore why various trends persist. Perhaps further study or research is necessary before the committee can determine how to perpetuate positive trends and develop strategies to reverse the adverse ones.

6. *Establish fund-raising policies.* It is important for the board to set policies pertaining to the receipt and use of gifts. Such policies help ensure donors are treated equitably and that gifts are received and used responsibly. Among the most common gift policies are the following:

- ***Real estate.*** Will the institution accept any gifts of real estate or only those that appear to have immediate potential for resale?

- ***Deferred gifts.*** What rates will the institution pay on unitrusts and annuities? Is there a minimum age for donors of life income gifts? Does the institution report both face value and present value? Will the institution charge fees for trust management, or are these costs absorbed by the institution? How effectively does the institution manage and invest its deferred assets?

- ***Donor recognition.*** At what levels are donors recognized for various gift clubs? Should corporate matching gifts count toward individual recognition?

- ***Naming opportunities.*** What is the appropriate level for such named endowment gifts as scholarships, library funds, or professorships? Is there a policy governing the size of a gift required for naming physical facilities? Should it be 25 percent, 50 percent, or 75 percent of construction cost? Should it be the institution's policy to include in its fund-raising goals for new facilities an estimate of the additional endowment funds it will need to support maintenance and operation?

- ***Receiving gifts.*** Who is authorized to receive gifts for the institution? This is especially important in the case of a donor who proposes a use that does not conform with current institutional objectives.

- ***Stewardship.*** How long should it take to acknowledge a gift, and who should do so? Does the chief executive respond to all gifts or only those above a certain level? Does everyone receive a personal letter, or is a printed receipt sufficient? Do donors of such permanent gifts as endowed funds or facilities receive annual reports on the uses of those funds or facilities? What level of gift is required for annual stewardship reports?

- ***Unacceptable gifts.*** Are any gifts—such as partial shares in property held by multiple owners or gifts that present potential liabilities—unacceptable? Will the institution accept a gift that provides only partial support for a new project or program when the balance of necessary funds is unavailable? Does the development office have written guidelines that prohibit gifts from individuals seeking a personal benefit, such as the admission of a child or the receipt of a contract?

7. Evaluate staff and budget. It is not the role of the development committee to evaluate the performance of the development staff. The chief executive evaluates the performance of the chief development officer, who in turn evaluates the performance of the staff. However, the development committee can explore whether staff and budget are adequate and appropriate to meet the fund-raising expectations and whether staff and budget are properly deployed.

To do so, the development committee should become familiar with the sources of gifts. How much money does the institution receive from corporations and foundations? From alumni and friends? Through planned giving and the annual fund? Once the committee ascertains this information, it then can explore with the chief development officer whether professional staff and budget are distributed in ways to maximize the giving of the various constituencies. Staff time and budgeted resources should be directed to where the potential for support is greatest. Members of the development committee should be satisfied that personnel and budget can achieve optimal results.

Committee Agenda

As overseers of the institution's fund-raising efforts, the development committee must be concerned about the breadth of development initiatives. The agenda should address the committee's objectives, progress in various categories of giving, and the potential of donor support for major projects. Other matters for the committee to discuss include the following:

- prospect identification and research,
- annual giving,
- corporate and foundation relations,
- planned giving,
- major gift cultivation and solicitation,
- campaign planning and implementation, and
- special events.

The development committee also has responsibility for the outcome of development activities, and it must be certain that fund-raising results meet budgeted expectations and address the programmatic directions of the institution.

Conclusion

All these tasks assume a spirit of teamwork between the governing board and administration. The president, the chief development officer, and the development staff should work harmoniously with the board chair and development committee to mobilize every resource to meet the institution's needs and achieve its mission in the general order of established priorities.

A word of caution: Trustees are supposed to deal with policy issues and leave implementation and administration to campus administrators. Drawing that line always is difficult—nowhere more so than in fund-raising, especially since trustees must be active players in the fund-raising program.

When the development committee asks policy questions about the effectiveness of the fund-raising program, the adequacy of staff and budget, and the efficacy of stated goals and education priorities, it is easy to be perceived as infringing upon the administration's prerogatives. This danger is greatest when the committee discusses major-gift prospects and what interests might best motivate a donor. Because board members likely will be involved directly in soliciting and acquiring major gifts, exceptional sensitivity is required. Nevertheless, this danger should not be allowed to deter the committee from performing its crucial role.

Resources

Phelan, Joseph F. and Associates. *College and University Foundations: Serving America's Public Higher Education*. Washington, D.C.: Association of Governing Boards of Universities and Colleges, 1997.

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Shrum, Jake B., editor. *The Board's Role in Capital Campaigns*. Washington, D.C.: Association of Governing Boards of Universities and Colleges, forthcoming in 1997.

Worth, Michael J., editor. *Educational Fund-Raising: Principles and Practices*. Phoenix: ACE/Oryx, 1993.

BOARD BASICS

This publication is part of an AGB series devoted to strengthening the role of key standing committees of governing boards. Several assumptions underpin the series:

- The work of boards should be accomplished in committee. An effective committee system will enhance the productivity of full board meetings.
- The committee structure of any board should mirror the full range of its responsibilities as a legal, corporate entity. That is, the committee organization should cover the oversight roles expected of trustees.
- Although there is no optimum committee system, certain principles and procedures should prevail: The board's bylaws or other operating policy should include a clear, comprehensive statement of responsibility for each standing committee. Each committee should be staffed by an appropriate administrative officer; a trustee or regent should serve as chair. No trustee should serve on more than two active committees, preferably one—excluding the executive committee.
- Before scheduled meetings, each committee member should receive a concise, well-conceived meeting agenda and relevant background information prepared by the committee chair and staff. Committees are responsible for recommending decisions and actions to the full board.
- As committee members seek additional information to fulfill their responsibilities, it is important to strike a balance between "too much" and "too little." Committee members must guard against requesting overly detailed information to avoid the appearance of becoming embroiled in administration or overburdening it. Before members make information requests, perhaps they would be well-served by asking if all such requests contribute to the committee's and the board's responsibilities for reviewing, setting, or approving institutional policies.

The *Effective Committees* set of booklets comprises publications on the following committees: investment, buildings and grounds, academic affairs, student affairs, finance, development, trustees, audit, and executive. It is part of the AGB **Board Basics Series**. AGB and the authors welcome comments and suggestions to improve this publication and others in the series.

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